

## OESC farms into Lion's East Seram PSC

### Highlights

- Experienced partner joining Lion in East Seram exploration effort
- OESC deal secures circa US\$9m in funding for East Seram PSC
- Seismic survey planning underway and acquisition planned for 2020

Lion Energy Limited ("Lion"), operator of the East Seram PSC via its wholly-owned subsidiary Balam Energy Pte Ltd, is pleased to report that the Taiwanese based CPC Corporation, through its wholly-owned subsidiary, OPIC East Seram Corporation ("OESC"), will acquire a 40% participating interest in the East Seram PSC under a Farmout Agreement ("FOA") signed Wednesday, 25 September, 2019.

Under the terms of the FOA, OESC have agreed to:

- pay 80% of Lion's historical costs related to the East Seram PSC up until 31 August 2018 (circa US\$0.94m subject to audit), plus its 40% share of performance bond collateral (US\$0.15m);
- fund 80% of gross seismic costs up to US\$8.5m for firm commitment. Any costs incurred above the cap of US\$8.5m will be on participating interest basis;
- fund its 40% share of all other joint venture costs (starting 1 Sept 2018) under the terms of a Joint Operating Agreement ("JOA") to be entered into;
- carry 20% of Lion's well costs for any follow up exploration well drilling, repayable out of production.

The transaction implies a value of the remaining 60% participating interest in the East Seram PSC at about US\$8.4m. Upon signing the JOA, Lion will receive about US\$1.3m in cash (note this balance includes the estimated 40% share of all other joint venture costs of East Seram PSC from 1 September 2018).

Completion of the transaction is subject to the execution of the JOA between the parties and the approval of the Indonesian Government.

Following completion of the transaction, the participating interests in the East Seram PSC shall be:

<b>Balam Energy Pte Ltd (Operator):</b>	: 60%
<b>OPIC East Seram Corporation</b>	: 40%
<b>Total</b>	: 100%

Mr Soulsby, Lion's Executive Chairman, said "The JOA with OESC is a strong endorsement of the PSC potential which has combined best estimate (P50) prospective resource<sup>1</sup> of 1,238 mmboboe (unrisked). It is indeed our pleasure to welcome an experienced, well-funded and locally knowledgeable partner into the East Seram PSC."

He added, "the deal endorses Lion's strategy to focus on the significant potential we see in the proven, yet underexplored, Seram region. We are making good progress on planning for a seismic survey to delineate key leads and this funding arrangement and partnering with OESC should enable shooting our first stage of seismic before mid 2020."

<sup>1</sup> The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons

### Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia; two conventional PSC's.
- Net production of around 50bopd from the Seram PSC which also contains the Lofin gas/condensate discovery.
- New focus on production opportunities in Southeast Asia, initial focus on Seram Island.
- Executive team and strategic investors with impressive track records for value creation in Indonesia.

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### Directors & Officers

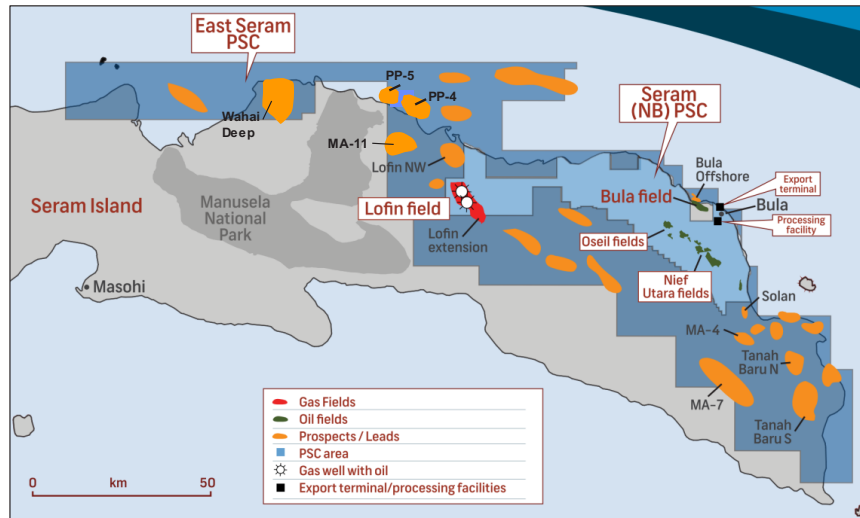
<b>Tom Soulsby</b>	Executive Chairman
<b>Damien Servant</b>	Executive Director
<b>Russell Brimage</b>	Non-Executive Director
<b>Chris Newton</b>	Non-Executive Director
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**Figure 1: Map of East Seram PSC showing existing fields and key prospect and leads**

The 6,510 km<sup>2</sup> East Seram PSC covers much of the eastern part of Seram Island in Eastern Indonesia (Figure 1). Importantly it contains the SE extension of the 2 TCF Lofin gas discovery and a potential offshore extension of the Bula oilfield that has produced approximately 20 mmbbl oil and is still producing today. A 500 km 2D seismic survey, scheduled for 2020, will cover high-graded prospects and leads identified in the East Seram PSC. Planning for the survey is well underway and Lion is confident this will result in a suite of drill ready targets positioning the PSC as one of the most exciting blocks in the SE Asian region.

## OPIC East Seram Corporation background

OPIC East Seram Corporation is a 100% indirect subsidiary of CPC Corporation, a natural gas, petrochemicals and gasoline company in Taiwan. CPC upstream operation areas include Taiwan, Australia (with interests in the Inpex operated Ichthys LNG Project and the Shell operated Prelude LNG Project) and Africa (Chad and Niger). Until recently, CPC held a 16.67% interest in the Sanga-Sanga production block in Indonesia.

## East Seram PSC technical overview

The East Seram PSC encompasses a significant part of the Eastern Indonesian Seram Basin. The PSC has geological affinities to nearby provinces that host major oil and gas reserves, including the prolific Papuan fold belt in PNG as well as the Salawati and Bintuni basins in Irian Jaya. Recent technical work including a new structural study by Lion highlights similarities of the Seram fold belt, in terms of geological age, paleo-geographic setting, fractured Jurassic limestone reservoir and Triassic-Jurassic source rock type, to world-class fold belt plays in Iran (Zagros fold belt) and in Pakistan (Sulaiman fold belt).

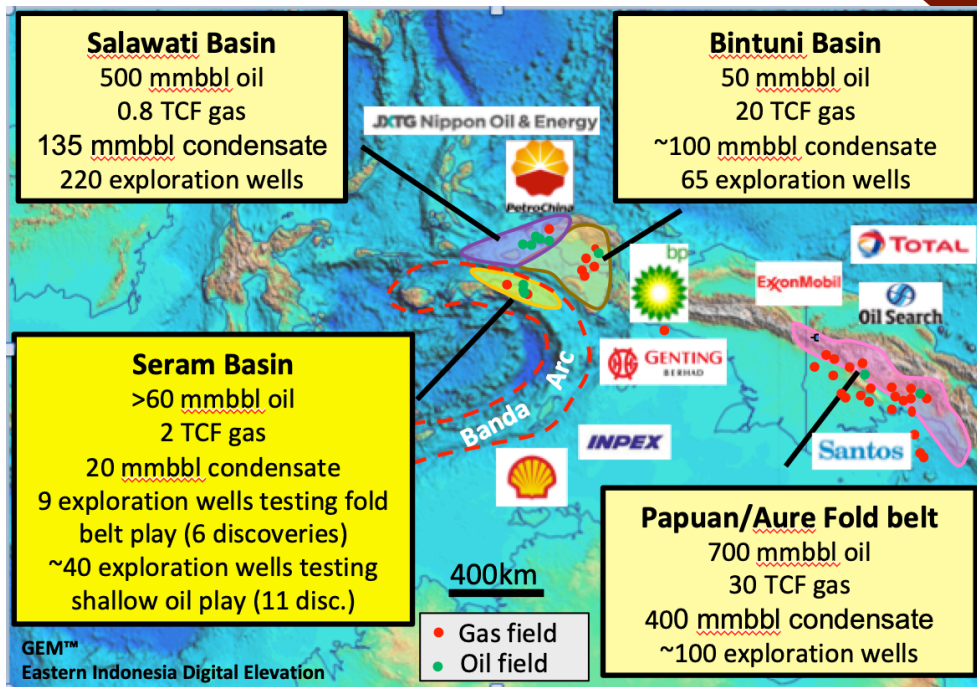


Figure 2: Key exploration statistics for provinces in vicinity of the Seram Basin

The East Seram block contains two main proven plays (Figure 3):

- The Triassic to Early Jurassic Manusela limestone oil and gas play is the primary reservoir objective with over 430mmbbl discovered to date in the basin including the producing Oseil field and the Lofin gas field. **All 6 well that have intersected the Manusela limestone to date in the area have been discoveries.** The limestone is often fractured resulting in good flow rates. MA-7 is the highest ranked lead and is expected to be oil prone with the reservoir objective at approximately 1500m. Other significant leads to be targeted by the 2020 seismic survey include Lofin NW (MA-10), MA-11 and Tanah Baru North and South.
- A shallow Plio-Pleistocene oil play with sandstone and carbonate objectives in the Fufa Formation. The play includes the 20 mmbbl Bula oilfield. The East Seram PSC could include the potential offshore extension of the Bula oilfield, as well as a number of additional on and offshore leads including the newly identified PP-4 with areal potential up to 30 km<sup>2</sup>. The offshore component of the planned 2020 seismic program will cover high-graded Plio-Pleistocene prospects and leads.

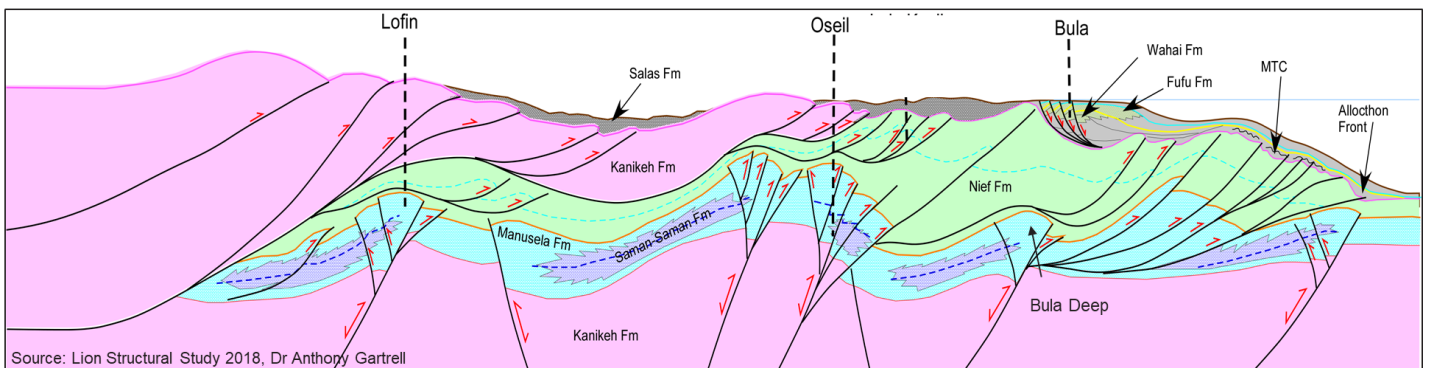


Figure 3: Schematic diagram from Lion structural study showing the structural style of East Seram, key plays and fields

## East Seram PSC Portfolio

A total of 18 prospects and leads are currently characterised in the PSC (Table 1) and comprise the high-graded features to be targeted by the planned 2020 seismic survey. A cross plot of Chance of Success vs P50 Prospective Resource (Figure 4) illustrates the impressive portfolio.

East Seram PSC Prospective Resource <sup>1,2,3</sup>		Lion Working Interest (100%)									
		HC Gas Recoverable			Oil/Cond Recoverable			Combined <sup>4</sup> mmmboe			COS <sup>5</sup>
Lead/Prospect	Target	Low P90	Best P50	High P10	Low P90	Best P50	High P10	Low P90	Best P50	High P10	%
<b>Fold belt Play</b>											
MA-7	Manusela carbonate	33.7	160.6	748.3	39.4	189.8	881.4	45.2	216.6	1006.1	24%
Wahai Deep	Manusela carbonate	196.4	689.6	2632.9	34.1	129.1	466.8	66.8	244.1	905.6	14%
MA-11	Manusela carbonate	164.2	587.4	2017.5	15.9	55.1	184.3	43.3	153.0	520.5	26%
Tanah Baru S	Manusela carbonate	77.4	281.9	911.1	22.7	90.0	339.1	35.6	137.0	490.9	24%
Lofin NW (MA 10)	Manusela carbonate	147.6	485.6	1623.5	13.9	49.0	146.7	38.5	129.9	417.3	20%
MA-3	Manusela carbonate	62.5	236.3	860.1	10.7	40.9	143.5	21.1	80.3	286.8	19%
MA-8	Manusela carbonate	26.1	100.8	359.3	5.3	21.0	81.2	9.7	37.8	141.1	21%
MA-2	Manusela carbonate	23.8	96.4	349.6	4.8	19.2	75.0	8.8	35.2	133.3	18%
Tanah Baru N	Manusela carbonate	36.1	123.7	424.6	4.6	17.5	61.1	10.6	38.1	131.9	20%
MA-1	Manusela carbonate	32.1	100.4	294.6	5.4	17.8	53.3	10.8	34.5	102.4	27%
Lofin Extension <sup>6</sup>	Manusela carbonate	69.2	154.4	291.7	0.9	2.0	3.9	12.4	27.7	52.5	75%
MA-4	Manusela carbonate	18.2	58.8	176.0	0.9	3.3	9.7	3.9	13.0	39.0	35%
MA-4 NE	Manusela carbonate	14.5	41.5	122.6	1.1	3.5	11.0	3.5	10.4	31.4	31%
<b>Shallow play</b>											
PP-4	Fufa sst/carbonate	3.7	11.6	35.9	10.5	37.4	130.2	11.1	39.3	136.2	25%
PP-5	Fufa sst/carbonate	3.9	8.2	19.5	10.7	28.0	71.5	11.4	29.3	74.8	25%
PP-3	Fufa carbonate				3.1	6.4	13.1	3.1	6.4	13.1	23%
Solan	Fufa Sst	0.7	1.5	3.6	1.5	3.6	8.7	1.6	3.8	9.3	32%
Offshore Bula Extension	Fufa sst/carbonate				0.5	1.6	4.8	0.5	1.6	4.8	43%
<b>Combined</b>		<b>909.9</b>	<b>3138.6</b>	<b>10870.6</b>	<b>186.0</b>	<b>715.1</b>	<b>2685.2</b>	<b>337.8</b>	<b>1238.2</b>	<b>4497.0</b>	<b>27%</b>

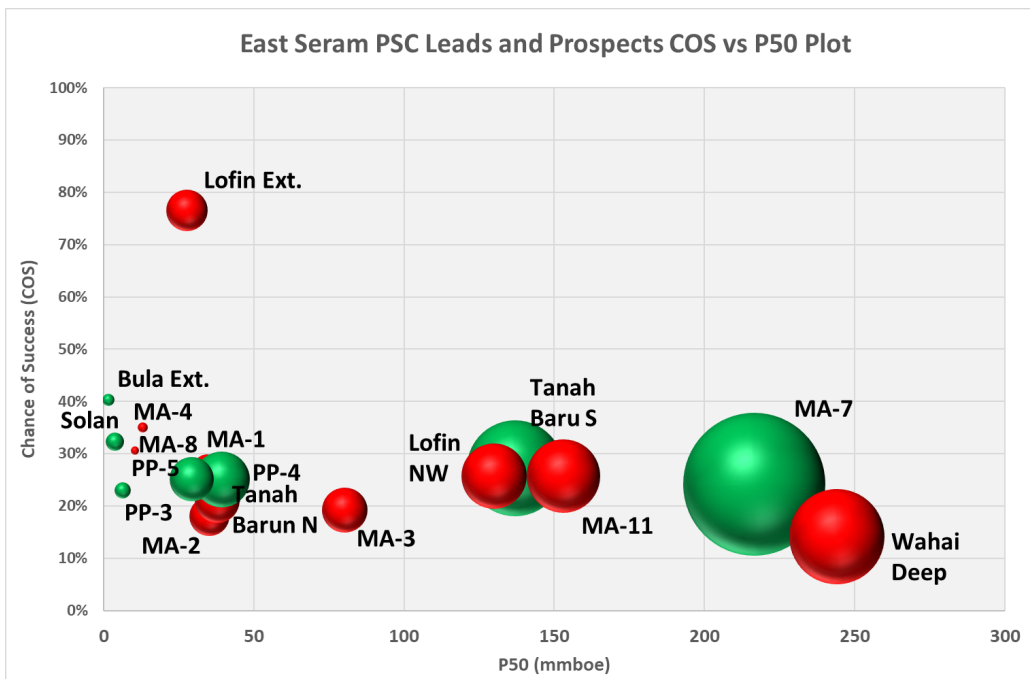
**Table 1: East Seram PSC Prospective Resource Summary**

Notes:

- Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of geologic discovery and a chance of development. Prospective Resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity.



- Prospective resources in this Table have been estimated probabilistically at lead level but combined arithmetically to provide the portfolio number. The aggregate P90 may be a very conservative estimate and the aggregate P10 may be a very optimistic estimate due to the portfolio effects of arithmetic summation.
- Closure areas for individual leads are based on seismic interpretation with realistic low side and high side estimates. Other key parameters, such as net pay, porosity, hydrocarbon saturation and oil versus gas ratios, used to calculate prospective resource are taken from known field data and regional trends.
- Conversion for gas factor of 6mcf=1boe used to convert gas to barrels of oil equivalent
- Chance of success (chance of geological discovery): The estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum
- Lofin Field Extension potential in East Seram PC potential currently assigned as prospective resource rather than contingent resource pending further analysis.



**Figure 4 Chance of success versus P50 mmboe prospective resource.** Green coloured bubble refers to leads which are dominantly expected to be oil filled by volume whereas red is dominantly expected gas filled. Bubble size is related to relative NPV (net present value)

## East Seram PSC terms

Lion, via its wholly owned subsidiary, has a 100% interest in the 6,510 km<sup>2</sup> PSC which was signed on July 17, 2018. The East Seram contract is awarded under Indonesia's new Gross Split PSC system which significantly reduces the bureaucratic burden on companies while providing internationally competitive fiscal terms with company profit share of at least 75% before income tax. The modest firm commitment consists of 500km 2D seismic (to be acquired either onshore or offshore) and geological/geophysical studies. No commitment wells are included in the primary 3-year term.

### Glossary

bcf: billion cubic feet	PSC: production sharing contract
boe: barrels of oil equivalent	mmboe: million barrels oil equivalent
COS: chance of success	ss: subsea
FVF: formation volume factor	tcf: trillion cubic feet
mmbbl: million barrels	

### Competent Persons Statement: Qualified Petroleum Reserves and Resources Evaluator

Pursuant to the requirements of the ASX Listing Rules Chapter 5, the technical information, reserve and resource reporting provided in this document are based on and fairly represent information and supporting documentation that has been prepared and/or compiled by Mr Kim Morrison, former Chief Executive Officer of Lion Energy Limited. Mr Morrison holds a B.Sc. (Hons) in Geology and Geophysics from the University of Sydney and has over 30 years' experience in exploration, appraisal and development of oil and gas resources - including evaluating petroleum reserves and resources. Mr Morrison has reviewed the results, procedures and data contained in this website. Mr Morrison consents to the release of this report and to the inclusion of the matters based on the information in the form and context in which it appears. Mr Morrison is a member of AAPG.

**ENDS**